

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

c7Ag
cop. 6

THE AGRICULTURAL SITUATION

APRIL 1, 1938

A Brief Summary of Economic Conditions

Issued Monthly by the Bureau of Agricultural Economics, United States Department of Agriculture

Subscription price, 25 cents per year; single copy, 5 cents; foreign price, 45 cents; payable in cash or money order to the Superintendent of Documents, Government Printing Office, Washington, D. C.

VOLUME 22 - NUMBER 4 - WASHINGTON, D. C.



IN THIS ISSUE

	Page
Commodity Reviews.....	1-8
Continued Decline in Consumer Income.....	8
The Call of the Land..... <i>D. McEntire</i>	9
Cotton Farmers' Income Reduced..... <i>O. C. Stine</i>	10
The Rural Relief Program..... <i>H. A. Wallace</i>	12
Earnings of Food and Tobacco Corporations..... <i>A. C. Hoffman</i>	14
Egyptian Government Increases Cotton Loans.... <i>N. W. Hazen</i>	16
The Surplus Relief Purchase Program..... <i>F. R. Wilcox</i>	18
The Motor Truck Alters the Farm Picture..... <i>W. C. Crow</i>	20
New Foods for Old..... <i>R. R. Slocum</i>	22
European Epidemic, Foot and Mouth Disease..... <i>L. J. Schaben</i>	23

COTTON AND TOBACCO GROWERS took time out from spring work to vote preponderantly in favor of marketing quotas under the new Agricultural Adjustment Act. Meanwhile, BAE reported little net change in prospective spring seedings of principal crops—biggest reduction, 15 percent in flax; biggest increase, 5 percent in tobacco, grain sorghums, and peanuts. * * * Best price news of the month was the lessening of the fall and winter decline which had carried the average of farm products prices below pre-war figures. Prices may stabilize around current levels, but farm income in the first 6 months of this year will be much less than in 1937. So long as consumer incomes continue down, no improvement in demand for farm products is to be expected. * * * Open weather has facilitated spring work on the farms and a more than seasonal increase in farm employment.

Commodity Reviews

DEMAND: Adjusting

THE 30-percent decline in industrial activity since last August has been accompanied by widely varying changes in the demand for individual farm products. As usual, the products to be affected first were the non-perishable commodities subject to trading on the futures exchanges. The relatively perishable products, the demand for which depends more directly on consumer incomes, were affected somewhat later and in different ways.

Apparently the demand for butter did not begin to decline materially until after the first of the year, whereas the demand for meats was early and drastically curtailed. This was especially true of beef, with hog prices influenced more by a weak storage demand and increased supplies than by declines in consumer demand for hog products. The demand for fruits and vegetables apparently declined fully as much as industrial activity.

These differences among commodities in the manner in which demand reacted to the business slump were due partly to the way in which consumers' incomes were affected, and partly to the way in which consumers adjust their purchases after their incomes have been lowered and employment prospects became less certain.

At first, only the incomes of industrial workers were much affected by the recession, but gradually unemployment and lower earnings spread to other groups.

Industrial activity has jogged along since the first of the year without much change; no great improvement is expected at least until fall. It is possible that incomes of some groups of consumers will experience some further declines as the effects of the business recession spread. Hence the demand for some products, such as butter, which did not experience much of a decline during the early months

of the recession, may decline further before any pickup occurs as a result of the expected gradual improvement in business conditions.

FARM INCOME: Less

Farmers' cash income from sales of products continues to fall below 1937 figures. Total for the first 2 months of this year was 84 million dollars less than in January-February a year ago, pulled down chiefly by lower income from crops other than cotton and cottonseed.

In the livestock and products group, lower income from meat animals, poultry and eggs was about offset by a gain of 30 million dollars in returns from dairy products. Government payments also were less during the 2-month period—by 47 millions.

An item which has helped to sustain the income of cotton growers since last fall has been the 221 million dollars of Government loans on about 5 million bales of cotton. Some repayments have been made on these loans, but through February repayments totaled only about 2.6 million dollars.

In the outlook for farm income no marked change is expected in consumer-demand conditions, so that income during the next 4 months will be less than in 1937. A partial offset, however, will be the increased Government payments under the agricultural conservation programs.

The following table gives the income for January and February 1937 and 1938. Income from sales of products was 10 percent less this February than last. Largest declines were in income from fruits, vegetables, and meat animals.

	From marketing	From Government payments	Total
February:			
1938.....	\$456, 000, 000	\$31, 000, 000	\$487, 000, 000
1937.....	505, 000, 000	52, 000, 000	557, 000, 000
January:			
1938.....	603, 000, 000	17, 000, 000	620, 000, 000
1937.....	638, 000, 000	43, 000, 000	681, 000, 000

PRICES: Lower

Price declines on grains, truck crops, dairy products, and chickens and eggs during the last month of record a little more than offset higher prices for meat animals, cotton and cottonseed, and fruits.

Since last July the index of prices received by farmers has dropped about 29 percent. Lessening of the decline during the past month plus related factors suggests a period of stability during the next few months.

Index Numbers of Prices Received and Paid by Farmers

[1910-14=100]

Year and month	Prices received	Prices paid	Buying power of farm products ¹
1937			
March.....	128	132	97
April.....	130	134	97
May.....	128	134	96
June.....	124	134	93
July.....	125	133	94
August.....	123	132	93
September.....	118	130	91
October.....	112	128	88
November.....	107	127	84
December.....	104	126	83
1938			
January.....	102	126	81
February.....	97	126	77
March.....	96	126	76

¹ Ratio of prices received to prices paid.

PLANTINGS: Little Change

Reductions of 2 to 15 percent in plantings of some crops this spring compared with last, but increases of 1 to 5 percent in others were reported last month by the BAE on the basis of farmers' prospective planting schedules.

The Bureau pointed out, however, it is too early for indications of prospective plantings to be precise, particularly as many farmers reported they expected to adjust plantings to meet the requirements of the new Agricultural Adjustment Program.

Principal decreases in prospective plantings are: Flaxseed, 15 percent; spring wheat, 6 percent; barley and beans, about 5 percent; potatoes and soybeans, 4 percent; and corn, oats and rice, 2 percent. Increases in prospect include hay crops, 4 percent; and tobacco, grain sorghums, and peanuts, about 5 percent. Nominal increases for sweetpotatoes and cowpeas were reported.

The Bureau reported prospective plantings of corn and oats below plantings in any recent year, and 8 and 10 percent below the 1927-36, 10-year averages. Plantings of potatoes also seem likely to be unusually

Prices of Farm Products

Estimates of average prices received by producers at local farm markets based on reports to the Bureau of Agricultural Economics. Average of reports covering the United States weighted according to relative importance of district and States.

Product	5-year average, August 1909-July 1914	March average, 1910-14	March 1937	February 1938	March 1938	Parity price, March 1938
Cotton, lb.....	12.4	12.4	13.5	8.1	8.4	16.2
Corn, bu.....	64.2	61.3	105.4	51.7	51.3	84.1
Wheat, bu.....	88.4	88.9	123.2	86.6	80.3	115.8
Hay, ton.....	11.87	12.06	11.98	8.71	8.51	15.55
Potatoes, bu.....	69.7	67.5	131.3	54.6	56.6	89.9
Oats, bu.....	39.9	40.3	52.5	30.0	29.4	52.3
Soybeans, bu.....	(1)	(1)	151.9	92.5	89.0	-----
Peanuts, lb.....	4.8	4.8	4.2	3.4	3.5	6.3
Beef cattle, cwt.....	5.21	5.29	6.76	5.80	6.11	6.33
Hogs, cwt.....	7.22	7.41	9.17	7.74	8.35	9.46
Chickens, lb.....	11.4	11.4	14.4	16.0	15.9	14.9
Eggs, doz.....	21.5	19.6	19.9	16.4	16.2	21.0
Butterfat, lb.....	26.3	27.1	34.9	30.5	29.8	35.8
Wool, lb.....	18.3	18.7	31.7	20.2	18.9	24.0
Veal calves, cwt.....	6.75	6.92	8.04	8.23	8.17	8.84
Lambs, cwt.....	5.87	6.22	8.83	6.63	7.35	7.69
Horses, each.....	136.60	138.40	101.50	89.00	88.60	178.99

¹ Prices not available.

² Adjusted for seasonality.

light, and flaxseed plantings may be only about 40 percent of average.

But a near-record acreage of all wheat growing next summer was indicated by adding to the prospective plantings of spring wheat the acreage of winter wheat which now seems likely to survive to harvest.

WHEAT: Large Acreage

Wheat news of the past month was the BAE report of a 6 percent reduction from last year in prospective plantings of spring wheat.

With average yields, the 22.3 million acres farmers plan to seed this year would produce about 200 million bushels. Adding to this the 630 million bushels of winter wheat indicated by December 1 condition, the total of all wheat—830 million bushels—would be 160 million in excess of the 1932-36 average disappearance. Part of the excess would be exported, and the remainder added to the carry-over on July 1, 1939.

Prospective plantings of spring wheat include 3.6 million acres of durum, which is 12 percent more than the acreage sown in 1937; of other spring wheat 18.7 million acres, which is 9 percent less than last year. Largest decrease in prospective spring wheat seedings is in the Pacific Northwest.

Peak of wheat shipments to foreign countries from the Southern Hemisphere probably was reached in late February. As offerings and receipts of wheat from Southern Hemisphere countries are accordingly reduced in April, the takings of United States wheat are expected to increase temporarily. Then, as new world crop prospects become more clearly defined, prices will adjust toward the new crop basis.

COTTON: Adjustment

Downward adjustment of world cotton acreage and production is in prospect for 1938-39, influenced by the large world supply of cotton, relatively low prices, and a prospective reduction in cotton consumption this season.

United States cotton growers voted overwhelmingly in favor of marketing quotas under the new Agricultural Adjustment Act. Accordingly, this year's acreage is expected to be close to the national allotment of about 26.3 million acres. Foreign acreage and production also are expected to be reduced.

World cotton mill activity has continued to decline, yet in late March cotton was selling in domestic markets about 1 cent a pound above the lows of last November. American exports—August to February—totaled 4.2 million running bales—about 300 thousand and more than in the corresponding period last year.

A larger volume of exports had been forecast last summer and fall, but general economic and political conditions in foreign countries have been more unfavorable than was expected at that time. Exports from India, Egypt and Brazil also have been adversely affected.

FEED GRAINS: Ample Supply

Ample supplies of feed grains are in prospect for the 1938-39 feed grain marketing year. Total production of about 92 million tons compared with 100 million last year is suggested on the basis of prospective plantings, average yields, and average abandonment. The reduction will probably be largely offset by a large carry-over from last year's crop.

Stocks of corn on January 1 were 22 percent more than the 1928-32 average, and stocks of oats about equal to average. In contrast, grain consuming animal units on farms on January 1 were 11 percent less than average, indicating large supplies per grain consuming animal unit. Although the quantity of feed grains fed per animal was heavy during the past winter, the total disappearance of corn and oats since January 1 was probably below average.

Changes in feed grain prices during the next few months will be affected by

changes in prospects for the 1938 crops. But considering all factors, prices in 1938-39 may not average very different from prices in the 1937-38 marketing year. The loan rate on corn, fixed by the Agricultural Adjustment Act of 1938, may be an important factor holding corn prices near present levels, if the 1938 crop is near average.

A favorable outlook for exports of corn in 1938-39 is seen, if United States supplies turn out large relative to livestock numbers.

BEEF CATTLE: Stability

Seasonal increase in slaughter supplies of better grades of cattle is in prospect this spring. The number of cattle on feed in the Corn Belt January 1 was about 15 percent larger than a year earlier; supplies of feed grains per animal unit are the largest in several years.

Ordinarily, prices would weaken on the increased supply, but much of the decline may have been discounted in the sharp price drop from October through January. Prices of Choice and Prime grade slaughter steers at Chicago advanced moderately in late February and early March.

Prices of the lower grades of cattle usually rise during spring, but this season a retarding factor is the narrow spread between prices of the better and lower grades. A favorable factor will be the seasonally small supply of cows and heifers.

Over the longer term—in late summer and fall—some seasonal improvement in prices of the better grades is in prospect; and prices of the lower grades may decline less than seasonally, influenced by restocking in areas where cattle numbers have been reduced by drought in recent years.

The number of cattle on farms on January 1—smallest in 4 years—may represent the low point in the current cattle number cycle. Some increase in cattle population is expected in 1938, since feed supplies per animal unit are the largest in several years.

HOGS: More Plentiful

Supplies of hogs for market during the remainder of the current marketing year (ending September 30) will be considerably larger than in the corresponding period of 1937. An offset is the smaller stocks of pork and lard now in storage, but consumer demand for hog products is less favorable this spring than last.

Early indications are for a larger pig crop this spring than last (because of the high hog-corn price ratio the past 6 months and the current low level of hog production in many areas); this will mean larger marketings of hogs next October through March than in the corresponding period of the current season.

Developments in late winter included a reduction in hog slaughter, and the marketing of hogs at relatively heavy weights. The heavier weights reflected the large feed supplies, the high hog-corn price ratio, and the mild winter weather in most important feeding areas.

Exports of pork and lard in January were somewhat smaller than in December, but much larger than in January last year. Lard exports during the month, totaling slightly more than 20 million pounds, were more than double exports in January 1937. Nearly 12 million pounds of the January lard exports went to Great Britain, and about 6 million pounds to Cuba.

Imports of pork have decreased markedly since last October, while exports have increased.

LAMBS: Large Spring Crop

Prices of fed woolled lambs improved as slaughter supplies of sheep and lambs were reduced seasonally in late winter, but prices are less than at this time last year. A depressing factor is the comparatively weak consumer demand for meats.

Slaughter supplies of sheep and lambs in late spring are expected to be about the same as a year ago, with larger marketings of early spring

lambs about offset by smaller marketings of grass-fat yearling lambs from Texas.

The early spring lamb crop in principal early lambing States is about 15 percent larger than the small early crop of 1937. The condition of the early lambs about March 1 was exceptionally good in all areas, especially in California, the leading early lamb State.

On January 1, the number of sheep and lambs on feed for market was the second largest on record, but there were fewer stock sheep than a year earlier in nearly all the important western sheep States, except Texas and Wyoming. The number of stock sheep and lambs has increased sharply in Texas the last 17 years; with more than 9 million head on January 1, Texas had nearly 20 percent of all such sheep and lambs on farms in the United States at the beginning of 1938.

WOOL: Large Stocks

World stocks of raw wool on April 1 were the largest for that date since 1935. Supplies in the 5 principal wool producing countries of the Southern Hemisphere on February 1 were estimated at 1.5 billion pounds, or 23 percent more than in 1937. Stocks in the United States on February 1 also were considerably larger than a year earlier.

The 1938 shorn wool clip in the United States is expected to be slightly smaller than that of 1937, since the number of stock sheep on hand on January 1 was smaller than a year earlier. Total production of shorn and pulled wool in the United States in 1937 was 432,544,000 pounds. The figure includes 66,200,000 pounds of pulled wool.

The large stocks of finished and semifinished wool goods were greatly reduced during the past winter, and will be reduced more this spring. It is expected that with smaller inventories of these products, there may be some improvement in mill consumption during the last half of 1938.

TRUCK CROPS: Acreage Increase

Preliminary estimates of planted acreages of early vegetables and prospective acreages of intermediate and late crops for market indicate a combined acreage of 19 truck crops about 2 percent larger than in 1937 and 19 percent more than the 5-year average for 1928-32.

Compared with last season, the indicated increases of acreage are particularly noticeable for asparagus, beets, carrots, lettuce, onions, and tomatoes. Growing conditions in nearly all early producing areas were favorable in late March.

Markets are well supplied with truck crops this spring, and prices have been lower than at this time a year ago. Only exceptions have been prices of cucumbers, western broccoli, and western carrots.

In view of relatively large carry-over stocks of canned vegetables and the lower prices this spring, it is likely that less acreage will be contracted by canners this season than last.

Prices of old stock potatoes (the 1937 late crop) advanced slightly in eastern markets but held to a stable level in middle western markets in March. Prices of new potatoes from Florida declined in all markets during the period.

FRUITS: Consumption Up

Market price reductions moved oranges and grapefruit heavily into consumption during the past month. Remaining supplies of oranges are much in excess of last year, but the quantity of grapefruit available for fresh market during the remainder of the season is probably one-fifth smaller than that of a year earlier. Texas and Arizona grapefruit have "sized up" better than had been expected.

Apples usually advance seasonally in price at this time of year, but retarding factors have been the record stocks in storage, small export demand relative to previous years of large supplies, and declining consumer buy-

ing power. The record large supplies of citrus fruits also has probably affected apple prices.

Stocks of canned fruits are unusually large this spring; only exception is the supply of canned pears. The situation suggests a smaller pack this year.

BUTTER: Prices Steadier

Butter prices have steadied since the Federal butter purchase program was instituted on February 14. During the ensuing month the Federal Surplus Commodity Corporation bought about 1.5 million pounds of butter for relief distribution.

There has been about the usual seasonal increase in milk production since the beginning of the year; the increase is expected to continue until the seasonal peak in production is reached in June.

On March 1, total milk production was about 5 percent larger than a year earlier, and the highest for that date in 4 years. Production of manufactured dairy products in January was the largest for the month since 1934.

But despite increased production and lower retail prices, the apparent consumption of manufactured dairy products was slightly less this winter than last. These changes indicate a decrease in consumer expenditures for dairy products.

There was a slight decline in 1937 in the number of milk cows on farms, but there are more than enough heifers and heifer calves to provide for normal replacement in 1938 and 1939. The number of milk cows is expected to increase during the next few years.

Currently, prices of dairy products are somewhat above average compared with prices of feeds.

FATS AND OILS: Increased Supply

Some increase in lard production in 1938 but a reduction in the output of cottonseed oil from the 1938 crop are in prospect. Factory butter production is expected to be larger in the

first 6 months of 1938 compared with a year ago.

A 15-percent reduction in the probable acreage of flaxseed this year, a 4 percent decrease in soybeans, but a 5 percent increase in peanuts were indicated by the Bureau's report of prospective plantings.

Lard exports have increased since last September, reflecting increased production last fall and winter, and the record large supplies of cottonseed oil.

EGGS: Prices Higher

Market prices of eggs tended slightly upward during March, but at the end of the month were several cents below a year ago. Lower consumer incomes, large holdings of frozen eggs in storage, a high rate of egg production, and an unprofitable egg storage year continue as depressing factors in the general situation.

The low winter prices of eggs have resulted in heavier than normal culling of flocks. March 1 numbers of layers were the smallest on record for that date. In contrast, the production of eggs per 100 hens was the largest on record—42 eggs compared with 39 in 1937, and the March 1, 10-year average of 38.

Poultry markets were irregular during March, with market receipts continuing smaller than a year ago. Chicken prices to poultrymen ordinarily rise from December to May, but in mid-March were the lowest since July 1937. Lower consumer incomes are likely to prevent the average seasonal advance this year, but the small stocks of poultry in storage and on farms is expected to tend to keep prices above 1937 figures.

TURKEYS: Increase

An increase of about 6 percent in the number of turkeys to be raised in 1938 compared with 1937 was reported to the BAE last month by 3,538 turkey producers in all parts of the country.

The Bureau explained, however, that since this is the first time intentions

reports have been obtained from turkey producers, no basis exists to determine the extent to which the data may indicate the actual changes in the total United States turkey crop.

The reporting producers said they intend to raise about 5 percent more turkey poults than were hatched last year, and to buy about 8 percent more poults than last year. A large proportion of the turkey growers who reported are commercial producers.

The average number of poults bought or hatched by these producers last year was more than 500.

FARM EMPLOYMENT: Up

Farm employment increased more than seasonally in late winter, due to the generally favorable weather for outdoor work. In some regions, farmers were hiring more men than at the corresponding time a year ago, and more family labor was being employed.

Continued Decline in Consumer Income

NEAR stability in the Federal Reserve Board index of industrial production in February and probably in March, as suggested by other indexes of business activity, is in sharp contrast to the drastic slump from August 1937 to January 1938 which carried the Federal Reserve Board index down from 117 to 80 percent of the 1923-25 average. The carry-over effect of this earlier decline in productive activity resulted in a sizeable contraction in the money income of

consumers in February and very probably in March.

There is as yet no evidence suggesting an immediate halt to the downward trend in national income, which is a broad measure of domestic demand for industrial and agricultural products.

The effects of this decline in dollar income, on the volume of goods which consumers can buy, is offset only in part by receding retail food prices and other living costs.

Measures of Domestic Demand

[1924-29=100]

	February				Percent change		
	1929	1933	1937	1938	1937-38	1933-38	1929-38
National income.....	105.4	58.6	93.4	86.3	-8	+47	-18
Nonagricultural income:							
Total.....	105.7	61.5	93.9	88.0	-6	+43	-17
Per capita.....	101.2	67.0	83.8	77.9	-7	+37	-23
Factory pay rolls:							
Total.....	106.4	39.9	93.2	71.5	-23	+79	-33
Per employed wage earner.....	102.6	62.1	93.4	85.9	-8	+38	-16
Industrial production:							
Total.....	110.5	59.0	108.6	74.0	-32	+25	-33
Factories processing farm products.....	106.0	83.2	112.9	87.1	-23	-1	-18
Other factory production.....	112.4	43.5	105.6	63.2	-40	+45	-44
Construction activity:							
Contracts awarded, total.....	97.5	15.7	51.2	39.7	-22	+153	-59
Contracts awarded, residential.....	84.2	7.2	42.1	26.9	-36	+274	-68
Employment in production of building materials.....	95.9	34.8	64.6	52.0	-20	+49	-46
Cost of living:							
Food.....	98.5	57.9	81.4	75.5	-7	+30	-23
"All other items".....	98.5	81.7	83.4	85.9	+3	+5	-13
Purchasing power of nonagricultural income per capita:							
For food.....	102.7	98.4	102.9	103.2	(¹)	+5	(¹)
For "All other items".....	102.7	69.8	100.5	90.7	-10	+30	-12

¹ Denotes change of less than 1/2 of 1 percent.

NOTE: All indexes adjusted for seasonal variation except "Cost of living."

The Call of the Land

THE depression put an end to most of the promotional enterprises based on the sale of high-priced land. But depression and drought have compelled many people to look for new locations, and in the resulting movements the real estate salesman continues, as always, to play an important role.

Most present-day land selling operations appear to be conducted by rather small concerns (which may be adjuncts of larger companies such as railroads or lumber companies) and by individual agents. There is considerable advertising in farm magazines and city newspapers, but such expensive devices as full-page "spreads" and long-distance excursion tours are almost unknown.

THE most active and widespread form of present-day land settlement promotion revealed by a survey by the Bureau of Agricultural Economics, deals with the sale of small tracts from half an acre to 10 acres in size, to people desiring to engage in part-time farming. Operations of this type are most noticeable in areas adjacent to urban centers, particularly in the Northeast, the Middle West, and southern California.

Operators usually acquire a tract of land within a few miles of a city, subdivide it into parcels of saleable sizes, open an office on the tract, and begin a campaign of advertising and personal solicitation. Chief selling points, as a rule, are the lower cost of living and alleged security against unemployment offered by a small farm—selling arguments which obviously carry a strong appeal to persons struggling on small incomes to meet the high costs of urban living.

ON THE Pacific coast, the migration during recent years of thousands of farm families from the Great Plains has created a heavy demand for farms. However, owing to meager financial resources, the great majority

Each spring the land promotor blossoms forth with new selling schemes. His portfolio at any time is full of colorful pictures of fruit orchards and poultry ranches, lush pastures and virgin timberlands. But in spring, when the call of the land is strong, the promotor is in his seasonal glory.

The BAE recently made a survey to discover the types of land-selling schemes currently in vogue, particularly with regard to commercial land settlement promotions. Some high-pressure promotions were uncovered, but nothing like the fantastic programs of the 1920's.

How the promotor is suiting his line to the changed economic conditions is revealed in the accompanying article.—Ed.

of the migrants cannot acquire good, well-developed farms, but are looking instead for cheap land which may be bought with little or no down payment.

In response to this demand a lively traffic has developed in the sale of "stump ranches" on cut-over lands, and small units, frequently on poor soil, in irrigated areas. Real estate agents, lumber companies or their affiliates, railroads, and colonization companies in the order named are most active in promoting land sales. The land is usually sold on contract with only a small down payment.

SIMILAR promotions of cheap, cut-over land for settlement are reported from the Ozark Mountain region of Missouri and Arkansas, and from the cut-over areas of Louisiana and Mississippi. In the Ozarks, land sales are promoted chiefly by incorporated farm real estate agencies which work through individual real estate agents, and individual agents who work alone.

Ozark lands are widely advertised in real estate agencies' catalogs, farm journals, and city newspapers through-

out the Middle West. Advertisers seldom make specific representations concerning the productivity of lands offered for sale, but stress the cheapness of land and the "natural charm" of the area. Typical advertising slogans are: "Cheap Lands in the Beautiful Ozarks," "The Call of the Ozarks," "The Ozark Mountain Charm," "Resort Town in the Ozark Playground," "Great Abundance of Splendid Free Range in the Ozarks."

Land in the Ozarks is being sold chiefly to unemployed workers coming from such cities as Shreveport, Oklahoma City, Tulsa, Kansas City, Joplin, St. Louis, Chicago and Detroit. Some agencies, advertising in the "dust bowl" region, have succeeded in inducing small numbers of "dust bowl" farmers to settle in the Ozarks. Occasional settlers come from other farming sections.

LAND settlement promotions in the cut-over areas of Louisiana and Mississippi are sponsored mainly by drainage districts which have redeemed lands reverting to the State for non-payment of taxes, and by lumber companies owning cut-over lands. In many cases, lumber companies have formed subsidiary concerns to dispose of logged-off lands. The chief selling appeal is the low price—undeveloped land usually selling for \$3 to \$7 per acre with a small down payment. Frequently, lumber companies waive the down payment, requiring only that the settler do a specified amount of clear-

ing during the first year or two of occupancy.

AN OUTSTANDING characteristic of nearly all commercial land settlement promotions during recent years is that they have been based chiefly on the sale of cheap lands and small acreages.

Land which may be purchased at prices of \$5 to \$15 an acre is more often than not no bargain at any price and no basis for successful farming. Very small farm units of the kind which have been sold in great numbers during the past several years are usually too small to return an adequate livelihood except under the most intensive use and most skillful management.

The findings of the survey make it appear highly doubtful that much of the recent settlement will result in benefit to the settlers or to the communities where new settlements have been established. On the contrary, the evidence points to increasing occupancy of poor lands and an increasing number of families dependent on farms of uneconomic size.

IN FRONTIER days it was possible for a man to homestead or buy an undeveloped farm. With very little capital but plenty of labor he might achieve a reasonably secure livelihood and even become well-to-do through increasing land values. But conditions have changed; for many years there have been no considerable areas of good, cheap land awaiting settlement.

DAVIS McENTIRE.

Cotton Farmers' Income Reduced

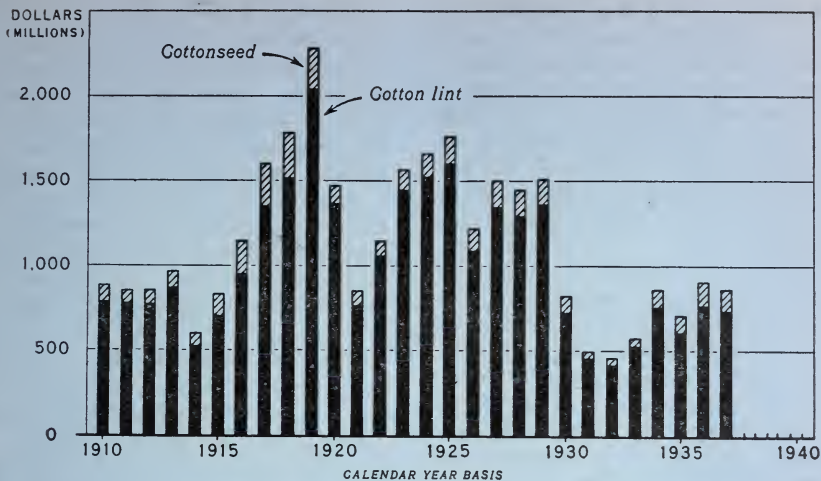
FARM INCOME from cotton and cottonseed in 1937 was about 864 million dollars, according to revised estimates by the BAE. The 1937 figure compared with 905 million in 1936 and with 461 million at the bottom of the economic depression in 1932. The average income for the pre-war years 1910-14 was 831 million dollars.

These are the first of a series of income estimates by commodities¹ being

compiled by the Bureau on a calendar year basis back to 1910, for use by the Department of Agriculture in developing income parity estimates in administering the Agricultural Adjustment Act of 1938. Other parts of the study to be published will include expenses of agricultural production, prices paid by farmers for commodi-

¹ Summaries will be published in *The Agricultural Situation*. The complete reports may be obtained (in limited supply), as issued, from the Bureau.

FARM INCOME FROM COTTON, UNITED STATES, 1910-37



U. S. DEPARTMENT OF AGRICULTURE

NEG. 34148 BUREAU OF AGRICULTURAL ECONOMICS

ties and services, and income to farmers from nonfarm sources.

The estimates of income from cotton and cottonseed do not include Government benefit and rental payments to farmers in recent years, but the 1937 figure does include cash advances on cotton placed under Government loan. The income from cotton is based upon estimated monthly marketings of cotton multiplied by the price farmers received about the middle of each month; the income from cottonseed is estimated by applying average farm prices to the quantity of seed sold. In determining the quantity of cottonseed sold, the total production is estimated and the quantities used for seed, fertilizer, or wasted are deducted from the total production.

THE income from cotton fiber in 1937 was 734 million dollars as compared with 763 million in 1936, and the pre-war average of 746 million dollars. The income from cottonseed amounted to nearly 130 million dollars compared with 142 million in 1936, and a pre-war average of about 86 million.

Notable in the following table of estimates dating back to 1910 is the increasing importance of cottonseed as a source of income to farmers in recent

years. The figures show that in the last 5 years the income from cottonseed has averaged 13½ percent of the total income from the crop, whereas in pre-war years the average was only 10.3 percent.

Calendar year	Income from cotton lint	Income from cottonseed	Income from cotton lint and cottonseed
	1,000 dollars	1,000 dollars	1,000 dollars
1910.....	781,289	99,169	880,458
1911.....	779,375	75,300	854,675
1912.....	772,456	79,229	851,685
1913.....	870,294	97,902	968,196
1914.....	524,869	77,174	602,043
1915.....	707,025	122,948	829,973
1916.....	955,476	192,834	1,148,310
1917.....	1,354,613	249,118	1,603,731
1918.....	1,515,654	268,874	1,784,528
1919.....	2,038,231	243,727	2,281,958
1920.....	1,366,652	109,106	1,475,758
1921.....	769,805	82,442	852,247
1922.....	1,060,544	87,330	1,147,874
1923.....	1,447,669	121,133	1,568,802
1924.....	1,523,055	140,429	1,663,484
1925.....	1,601,169	161,192	1,762,361
1926.....	1,094,508	127,834	1,222,342
1927.....	1,346,690	153,341	1,500,031
1928.....	1,294,224	158,420	1,452,644
1929.....	1,363,007	148,943	1,511,950
1930.....	726,911	97,234	824,145
1931.....	455,342	41,614	496,956
1932.....	418,514	42,180	460,694
1933.....	528,838	48,713	577,551
1934.....	758,523	104,331	862,854
1935.....	608,328	103,458	711,786
1936.....	763,360	141,519	904,879
1937.....	734,194	129,776	863,970

O. C. STINE.

Chairman, Income Committee.

FROM its beginning, the present Administration was faced with the necessity of providing aid for more than 1,000,000 destitute farm families. These 5,000,000 people had suffered severely from the general business decline, but the depression was not the sole cause of their difficulties; it merely aggravated rural poverty and made the need for remedial action more acute.

The problem grew out of certain deep-rooted maladjustments in our rural economy. The chief of these were a prolonged period of ruinous farm prices, careless and unscientific tillage practices, unsound tenure systems, a heavy burden of debt, inadequate acreage, and a long-continued wastage of our farming capital by soil erosion.

We had long been familiar with the symptoms of these maladjustments—low farm income, abandoned homesteads, and a steady growth of farm tenancy. For more than a century they had compelled the United States to carry on a liberal program of rural relief under the guise of free land. Today this easy solution is no longer possible. Free land, capable of producing a decent living, has disappeared, and we have at last been forced to cope with the problem of rural relief in a new manner.

IN 1934 there appeared to be two possible methods of handling this responsibility: (1) To support needy farm families indefinitely on a direct dole; (2) to help them to climb back to a self-supporting status by means of a minimum of financial aid and technical guidance. The second obviously was the more conservative and economical plan, and it was adopted as a foundation of our rural relief policy.

This program of rehabilitation was entrusted to the Resettlement Administration, and more recently to the Farm Security Administration. In essence it consists of making small loans to needy farm families who cannot obtain credit from any other source and accompanying them with

enough training in sound farming practices to insure the best possible use of the money.

Loans have averaged approximately \$300 each. In general, they are just large enough to supply the family with the bare essentials for carrying on farming operations—a plow, a mule, seed, a few chickens, and other simple equipment. The loans are repayable over a period from 1 to 5 years and they carry a 5 percent interest rate. By February 1, 1938, loans totalling

THE RURAL

\$169,312,000 had been made to more than 600,000 farm families.

THE Farm Security Administration took chattel mortgages on crops and farm equipment, but its most important security was human equity. This type of security has been amply justified because the overwhelming majority of borrowers were typical thrifty, hard working American families with all the rugged honesty of their pioneer forefathers.

As an additional protection of the Government's investment, the Farm Security Administration has followed the policy of lending money only on a basis of sound farm and home management plans. These plans were worked out in close cooperation between the borrower and the county rehabilitation supervisor.

A typical farm and home management plan calls, first of all, for the raising of enough vegetables and livestock to meet the family's own subsistence needs. Acreage is set aside for the production of feed for the work animals and other livestock. The remainder of the farm ordinarily is devoted to cash crops, which are diversified as much as possible. Throughout the year the county supervisor is ready to give the borrower any additional assistance he

may require such as advice on soil conserving practices or on the selection of seed, livestock, and machinery.

FROM a purely financial point of view the program has proved surprising'y sound. Although much of the \$169,312,000 advanced under the rehabilitation program will not fall due for 4 or 5 years, more than \$45,-000,000 already has been repaid. Approximately 42,500 families had paid back their loans in full by February, 1, 1938.

IEF PROGRAM

Perhaps an even more significant indication of the program's success is the rise in living standards of rehabilitation borrowers. A recent survey of 230,000 such families throughout the nation showed that their average net worth had increased \$253 between the time they first sought aid and the end of the 1937 crop year. This represents a growth in net assets of 42 percent, or more than \$58,000,000.

In addition these families have almost doubled their consumption of home produced meat, milk, and eggs; their ownership of work animals has increased approximately 100 percent, while their acreage in livestock feed and forage crops has risen 50 percent.

Government lending, no matter how generous, could never have accomplished such results if it had not been coupled with a careful system of supervision. There have been many indications that the farmers receiving aid from the rehabilitation program have profited more from the guidance which accompanies their loans than from the money itself.

ALTHOUGH the Farm Security Administration lending program has directly benefited more than 600,000 families, it has by no means met the full need for such a service. County supervisors recently reported

they personally knew of more than 360,000 farmers eligible for rehabilitation loans who could not be helped because funds were not available. There is every reason to believe that the total number of families needing rehabilitation and unable to obtain it is considerably larger.

There is another large group of destitute farmers who could not wisely be given rehabilitation loans even if money were available. Thousands of families living in drought areas have been refused loans because their land did not contain enough subsoil moisture to justify planting a crop. Approximately 20,000 additional families have migrated from the dust bowl regions to the northwestern Pacific Coast States. Many of these have settled on acreages too small or too barren to provide a permanent support.

Under such circumstances the Farm Security Administration has made subsistence grants rather than rehabilitation loans. These grants are approved only in cases of extreme distress, and they have averaged approximately \$20 per month per family. From the beginning of the program until February 1, 1938, the total grant disbursement amounted to about \$61,426,000 divided among approximately 500,000 families.

IN CONCLUSION, I believe that two points are worthy of special emphasis:

1. The rehabilitation work cannot be carried on economically nor with much hope of permanent results unless the Government's loans are accompanied by a sound system of technical guidance.

2. Although we feel a promising beginning has been made in helping destitute farm families become self-supporting, the job cannot be completed for many years. We are fighting an economic disease which has been neglected for generations; we cannot hope to cure it over night.

H. A. WALLACE.

Earnings of Food and Tobacco Corporations

EARNINGS of food processors and distributors represent one of the component parts of the spread between producer and consumer. The combined earnings of 29 leading food and tobacco corporations fell off sharply as a result of the depression but have turned up again during the last few years.

From a high of 349 million dollars in 1930, earnings dropped to 222 million dollars in 1933 and 220 million in 1935. But in 1936 (the last year for which data are available) the figure was 262 million dollars. The following table shows total earnings of the 29 corporations, 1928-36.

Year	Earnings
	<i>1,000 dollars</i>
1928-----	300, 262
1929-----	343, 963
1930-----	349, 330
1931-----	292, 340
1932-----	245, 757
1933-----	222, 253
1934-----	227, 263
1935-----	219, 679
1936-----	261, 602

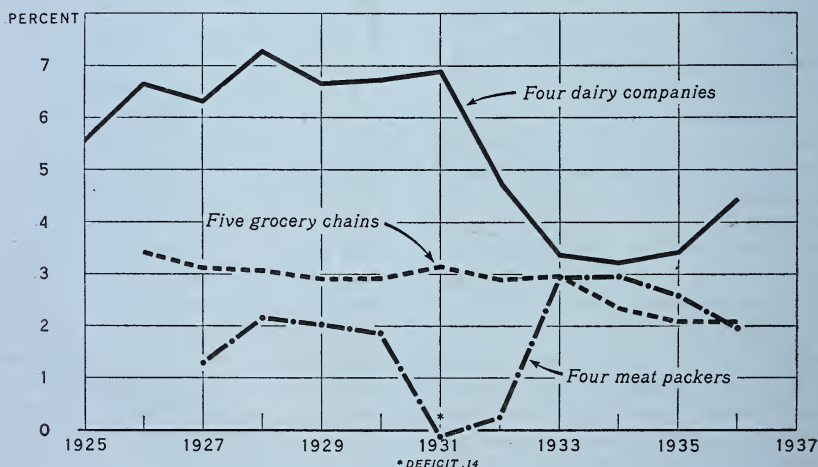
As the term is used here, earnings represent the amount of money available for stock dividends, interest on borrowed capital, and Federal income taxes. They do not include the item of salaries to officers, which are usually reported by corporations as part of their operating expenses.

It should also be pointed out that because of differences in accounting practice as well as in the methods used by the corporations in evaluating their assets, the earnings data given here cannot be used to indicate that profits in any given food industry are either reasonable or unreasonable as of a given time.

The figures are mainly for the purpose of indicating relative changes in profitability from year to year, for which purpose they are reasonably satisfactory.

THE profitability of a corporate enterprise is measured by its rate of return on invested capital. It is not possible to ascertain from the financial statements of most corporations exactly what this investment is. The closest approximation that can be

PROFIT MARGINS OF LEADING GROCERY CHAINS, DAIRY COMPANIES, AND MEAT PACKERS, 1925-36



made from the regularly-published corporate statements is total capitalization as represented by the sum of the outstanding stock, surplus, surplus reserves, and long-term debt. But in using this measure, it should be kept in mind that the capitalization of a corporation will be affected by the book value which it puts upon its

assets from time to time.

The following table shows the earnings of eight groups of food and tobacco corporations expressed as percentages of their capitalization. The percentages were highest for grocery chains, tobacco companies, and miscellaneous food corporations, and lowest for the meat packers.

Year	Five food chains	Four dairy companies	Four meat packers	Three flour millers	Three fruit and vegetable canners	Three baking companies	Miscellaneous food companies	Four tobacco companies	All corporations
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1925	-----	16.9	6.1	-----	10.1	-----	-----	17.5	-----
1926	25.7	17.0	5.6	-----	8.8	-----	24.0	17.3	-----
1927	25.2	16.1	3.2	-----	5.9	-----	23.2	16.9	-----
1928	23.9	18.0	5.5	13.4	10.1	16.9	23.1	16.6	14.8
1929	21.4	18.4	5.3	14.5	9.4	17.5	23.2	16.9	15.2
1930	19.4	16.2	5.0	10.2	3.4	13.7	21.4	18.6	14.3
1931	18.9	12.9	¹ -3	7.8	¹ -8.6	12.1	19.4	18.9	11.8
1932	14.7	7.1	.4	8.2	¹ -10.5	8.9	15.9	17.4	10.2
1933	14.3	4.9	4.8	8.9	9.1	7.6	16.5	9.8	9.5
1934	11.7	5.7	6.3	9.6	7.9	6.9	14.8	11.9	10.0
1935	11.0	6.9	6.8	7.9	6.5	7.5	14.1	12.3	9.9
1936	11.5	10.0	5.6	10.0	9.9	12.0	17.4	14.4	11.9

¹ Indicates deficit.

THE fact that some types of corporations have higher earnings ratios than others does not necessarily mean that competition has been less keen in their lines of industry. The differences in such ratios among the various industry groups may be partially explained by over-capitalization on the part of some corporations. Another explanation may be that some of the companies have been able to achieve greater distributive efficiency than competing types of handlers, part of which gain has been reflected in the form of higher returns to the capital invested in them.

More significant than comparisons between industry groups are year-to-year changes in the percentages within the groups. For all the corporations taken together, the ratio of earnings to capitalization has varied from a high of 15.2 percent in 1929 to a low of 9.5 in 1933. In 1936 it stood at 11.9 percent.

The meat packers and the fruit and vegetable canners, after having experienced operating deficits in some of the worst depression years, have nearly regained their predepression

level of earnings over the last several years. Most other food and tobacco groups also have shown a substantial increase in earnings since 1933, but as of 1936 had not gotten back to the profit levels of the 1920's.

The grocery chains followed a somewhat different pattern from that of the other food corporations in that their earnings ratio declined steadily, but not precipitously, for the past 10 years, and in 1936 was less than half of that in 1926.

THE proportion of the total marketing spread represented by corporate earnings and profits is always of interest. The accompanying chart shows the profit margins for three groups of food corporations, the margin being computed by dividing the earnings of a corporation by its dollar sales. The margin represents the proportion of dollar sales retained to pay stock dividends, interest on borrowed capital, and Federal income taxes. The profit margin is not to be confused with the rate of return on invested capital.

In the case of the five largest grocery chains, profit margins have varied from

almost 3.5 percent in 1926 to as low as 2 percent in 1936. The trend of such margins has been downward since 1931. Margins of both the meat packers and dairy companies showed a sharp decrease in the early depression years.

The packers' margins have subsequently averaged above predepression

levels, but those of the dairy companies are still substantially below. It was impossible to calculate profit margins for other groups of food and tobacco corporations because many of them did not report their dollar sales regularly.

A. C. HOFFMAN.

Egyptian Government Increases Cotton Loans

FOR many years the Egyptian Government has been granting aid to cotton growers, particularly in seasons of heavy production. The second estimate of the cotton crop made by the Egyptian Government shows that in 1937-38, Egypt produced 2,282,000 bales of cotton as against 1,887,000 in 1936-37. This record crop has resulted in a marked decline in cotton prices.

To assist cotton growers in the marketing of their crop, the Egyptian Government at the beginning of the 1937-38 season increased the margin used as a basis for cotton loans from 80 to 85 percent of the value of cotton. Since the Egyptian Government does not make direct loans to cotton growers, it authorized the Crédit Agricole d'Egypte, which is the only State-subsidized bank through which Government money is lent to farmers, to raise the margin.

The result of this measure has been to increase the number of borrowers as well as the amount of money loaned. Thus, whereas during the year ending December 31, 1936, the Crédit Agricole d'Egypte lent \$4,140,000 on 69,000 bales of cotton deposited as security by 12,400 borrowers, in 1937 it lent \$6,917,000 on 134,000 bales deposited by 33,000 borrowers.

ALTHOUGH it occupies only about 20 percent of the cultivated land of Egypt, cotton is the one crop around which rotates the Egyptian economy. On the average, returns from the sale of cotton represent about 60 percent of the revenue from all the agricul-

tural land of Egypt, and the value of cotton exports varies from 80 to 85 percent of total exports from that country. Thus, the economic welfare of the country as a whole is dependent upon the success of the cotton crop as well as good cotton prices.

Because cotton is so important, the Egyptian Government has always taken a great interest in it. This has generally been manifested in two ways: (1) By helping to improve the quality of the fiber through encouraging better cultural methods and disease control; (2) by assisting the cotton grower in years of overproduction through direct cotton purchases or the granting of seasonal loans.

Egypt: Cotton Production, Exports, Carry-over, and Average Price, 1931-32 to 1937-38

Year ended Aug. 31	Carry- over at begin- ning of season	Produc- tion	Exports	Aver- age price
	<i>Bales of 478 pounds</i>	<i>Bales of 478 pounds</i>	<i>Bales of 478 pounds</i>	<i>Cents per pound</i>
1931-32.....	843, 151	1, 317, 256	1, 501, 675	7. 7
1932-33.....	680, 282	1, 026, 950	1, 319, 949	9. 4
1933-34.....	357, 029	1, 776, 855	1, 854, 353	11. 8
1934-35.....	201, 826	1, 565, 497	1, 625, 589	13. 5
1935-36.....	91, 796	1, 768, 566	1, 674, 699	14. 0
1936-37.....	101, 327	1, 887, 092	1, 328, 865	14. 6
1937-38.....	72, 732 ¹	2, 281, 833	-----	² 11. 2

¹ Preliminary.

² Average price Sept. 1, 1937 to Jan. 31, 1938.

THE development of the cotton-loan policy of the Egyptian Government is closely related to the history of agricultural credit in that country. Briefly, from 1898 to 1929 the Eryp-

tian Government first made arrangements with various banks for the granting of seasonal loans for farmers at low rates of interest and later made loans directly to cotton growers.

For some time prior to the 1929-30 season, however, the Egyptian Government realized that despite all its efforts to develop a system of Government cotton loans designed to assist small farmers, the latter did not take advantage of the benefits offered. It decided that the best means of encouraging the development of agricultural credit in Egypt was to refrain from granting direct Government loans to farmers and to create an agricultural bank under the control of the State. This was done in June 1931, when the Government and the 19 leading banks and mortgage companies of Egypt got together and founded the Crédit Agricole d'Egypte.

The function of the new bank was the granting of short, medium, and long-term agricultural loans for which purpose the Egyptian Government subscribed one-half of the capital stock set up at \$5,000,000.

Since August 1931, therefore, the Egyptian Government has made no direct loans to cotton farmers, the assistance granted being represented by its share of the cotton loans made by the Crédit Agricole d'Egypte. Although this bank is the most important single credit institution making cotton loans and is the only semi-Government agency through which such loans are made, it is only one of the many sources from which farmers borrow money on their cotton. The bulk of the cotton loans made in Egypt are still granted by private banks and merchants.

Egypt: Cotton Loans Made to Individuals and Cooperatives by the Crédit Agricole d'Egypte, 1936 and 1937

Year ended Dec. 31	Range of cotton offered as security	Number of borrowers		Total security		Amount loaned	
		Total	Per- cent of total	Total	Per- cent of total	Total	Per- cent of total
1936-----		<i>Number</i>	<i>Percent</i>	<i>Bales of 478 pounds</i>	<i>Percent</i>	<i>Dollars</i>	<i>Percent</i>
	Under 10 bales-----	9,884	80	26,724	39	1,582,281	38
	10 to 20 bales-----	1,033	8	14,989	22	904,264	22
	Over 20 bales-----	501	4	13,219	19	824,902	20
	Loans to cooperatives-----	994	8	14,407	20	829,988	20
	Total-----	12,412	100.0	69,339	100.0	4,141,435	100.0
1937-----	Under 10 bales-----	28,778	87	61,978	46	3,138,641	45
	10 to 20 bales-----	1,525	5	22,275	17	1,146,237	17
	Over 20 bales-----	893	3	28,763	21	1,485,620	21
	Loans to cooperatives-----	1,900	5	21,378	16	1,146,623	17
	Total-----	33,096	100.0	134,394	100.0	6,917,121	100.0

Compiled from data obtained from the Crédit Agricole d'Egypte.

SINCE the beginning of 1937 cotton loans made by the Crédit Agricole d'Egypte have been granted on the basis of 85 percent of the value of cotton deposited in its warehouses, instead of 80 percent as formerly. This margin is calculated in the central office of the Crédit Agricole d'Egypte in Cairo and every week mimeographed forms giving the computed values for all

types and grades of cotton are sent to the bank's agencies in the various provinces to be used as a basis for granting loans. Loans are made for periods of 3 months, and interest rates during this season are 3 percent for individuals and 2 percent for cooperatives.

The Crédit Agricole d'Egypte does not undertake to gin its borrower's cotton. But since the law requires

that all cotton existing in Egypt must be ginned before May 1, all loans have to be entirely repaid before that date. In case of a decline in cotton prices after a loan has been granted, the Crédit Agricole d'Egypte does not require its borrowers to make any coverage, but it does not renew the loan.

When the cotton is sold the bank takes its share from the proceeds of the sale and gives the balance to the borrower. The importance of the Crédit Agricole d'Egypte to small cotton farmers is demonstrated by the fact that from 1931 to the end of 1937

between 80 and 87 percent of the borrowers were cotton growers who submitted less than 10 bales of cotton as security for their loans.

SO FAR the Crédit Agricole d'Egypte, and through it the Egyptian Government, has had a very satisfactory record with its cotton loans. Since the creation of that institution in 1931 up to the present time all loans granted by it to cotton growers have been fully repaid with no losses to the bank, or the Government.

N. W. HAZEN.

The Surplus Relief Purchase Program

THE waste of food surpluses while people are starving is a challenge to civilization. That challenge has now been accepted. The Federal government is carrying on an organized effort to get some of these surpluses into the hands of people who need them. This is a job the Federal Surplus Commodities Corporation was created to do, operating as a part of the Department of Agriculture.

Before describing the surplus buying operations of the government, let me point out one peculiarity about the way our economic system works. Glut in one part of the system often leads to scarcity in another. Experience with the great staple commodities is most often cited as showing this. In 1932 when the wheat surpluses were greatest the breadlines were longest; when cotton was piled highest the most people were ragged and cold.

But even though they are local and hence less conspicuous, acute surplus situations are actually more common among the perishable commodities—fruits, vegetables, and special crops. Farmers in different localities every year are swamped by surpluses so great that local prices are destroyed, and the crop does not bring enough money to move it into consumption.

When this happens, a perishable crop rots in the field; both farmer and consumer are victims of the resulting waste.

TO MEET this problem—to help bridge the gap between glut and scarcity—the Federal Surplus Commodities Corporation was created. Congress has set aside 30 percent of the customs revenues of the government to develop new markets for farm products, including industrial uses and exports. This fund is to be expended under the direction of the Secretary of Agriculture.

The greatest undeveloped market of all is the need of the millions of people of low incomes—many of them on relief. No doubt the soundest permanent solution of this problem lies in creating real buying power for these millions of people. But their hunger is one fact and the existence of price-breaking surpluses is another. The Surplus Commodities Corporation does not wait for the final solution. It acts now, buys the surpluses, and distributes them through State relief agencies to people on the relief rolls.

FOR the 3 years, prior to last March 1, the AAA and the Federal Surplus Commodities Corporation spent for purchases of commodities nearly 55 million dollars. This fiscal

year's purchases will total about 28 millions. The Corporation has bought potatoes, apples, wheat, butter, eggs, milk, dry and green peas and beans, canned peas, dried peaches and apricots, prunes, grapes, sweetpotatoes, potato starch and flour, onions, cauliflower, pears, grapefruit and grape, fruit juice, dry skim milk, shortening, syrups, oranges, celery, and canned tomatoes. Since the purchase program calls for buying only to the extent necessary to meet an emergency, the purchases constitute only a small percentage of the total crop—for example, only 1 percent of the 1937 potato crop, 2.9 percent of the apple crop, and less than 1 percent of the oranges.

Three billion pounds of foodstuffs bought by the Corporation have been distributed to persons on relief through State relief agencies. In terms of total pounds of food, though not of course in terms of balanced diet, this is enough to feed New York State's total population, 12½ million people, for about 2 months. Purchases have been made at an average rate of 2 million pounds a day for every day since the surplus removal programs of the AAA were started.

IT IS worth while to examine the purchase operation from the standpoint of each of the groups of people affected:

For the farmer, the buying program may mean rescue from acute distress. The Corporation steps in only in cases of real emergency. The farmers never get rich from the prices the Corporation pays. What the Corporation does is to put a plank under the market to prevent collapse. Producers of potatoes, citrus fruits, and apples in the past year have welcomed the limited protection that the buying programs have given them. For the farmer, these programs have often headed off disaster.

For people on relief, the programs have meant consumption by the needy of food which otherwise would have gone to waste. During 1937, an average of 1,750,000 families, or about 6 million people, received some com-

modities from the Surplus Corporation every month.

For the general consumer, the program results in leveling out extremes of prices. The consumer does not benefit from vast local surpluses of perishables. The share in the consumer's dollar spent for these commodities that goes to the farmer is often small compared to the part that goes into the costs of handling, shipping, and selling.

The commodities purchased are of course removed from the regular channels of trade, distributed to people on relief, and do not reach consumers through retail stores.

IT IS true that these purchases by stopping farm price declines may check somewhat extreme declines in retail prices of commodities sold to consumers. In many instances, however, the margin between farm price and retail price is so large that the purchase programs have small immediate effect upon retail costs to the consumer of the part of the crop that is sold in regular channels of trade.

Thus the price paid recently by the Government for apples represented about one-fourth the price of apples at retail. The orange producer received from the Corporation about one-eighth what the consumer paid for oranges in retail stores. The Corporation paid six-tenths of a cent per pound for potatoes, while retail prices to consumers were 2 cents a pound.

In the long run the consumer gains from the surplus purchase operations in two ways: (1) The maintenance of farm buying power helps to keep the economic system going and the city worker employed; (2) the maintenance of farm producing power, which would otherwise be frequently weakened or destroyed by bankruptcy prices, helps to forestall shortages of supplies and unduly high prices in the future.

In general, the operations of the Surplus Commodities Corporation has aroused increasing interest among farmers and the public.

F. R. WILCOX.

The Motor Truck Alters the Farm Picture

LARGE city markets now receive about half their supply of fresh fruits and vegetables by motor truck. A survey in 1936 revealed that nearly 45 percent of the supply of 40 large cities was transported by motor: New York City, about 40 percent; Philadelphia, 45; Boston, 33½. The figures ranged up to 72 percent for Atlanta and 83 for Los Angeles.

The increased importance of motor truck transportation of farm products is a development of the last 15 years. Besides transporting nearly all locally-grown produce to market, the trucks haul supplies from specialized producing areas hundreds of miles away. In 1936, New York City received fruits and vegetables by motor truck from 17 States and from Canada; Atlanta drew supplies from 30 States.

THE motor truck has effected many changes in the fruit and vegetable industry, but also introduced problems which must be solved if the producer, distributor, and consumer are to receive its benefits.

The motor truck is changing farm producing areas, returning to producers the advantage of proximity to market. Farmers of the Middle Atlantic and New England States especially are in a position to gain from the use of the motor truck, since these farmers have within easy reach a large part of the Nation's consuming population.

As the use of the truck extends to greater distances this advantage likewise is coming to Virginia, the Carolinas, and other States in the southeastern part of the country. But in order to make the most of these possibilities, markets must be better organized, market facilities improved, and more extensive market information made available.

MANY of the wholesale fruit and vegetable markets in large cities were established decades ago when cities were small, transportation was

Fleets of motor trucks loaded with fresh fruits, vegetables, meats, poultry, eggs, and other farm products fill the highways. As the movement increases, new problems are posed in agricultural production and distribution. Production areas are shifting, marketing agencies from producer to consumer are being reduced in number, distribution facilities in cities need to be reorganized. The accompanying article, based upon BAE studies, discusses some of the highlights of these changes.—Ed.

mainly by wagon or boat, and the volume of produce handled was much less than it is now. These markets usually are in the older sections of cities where streets are narrow and market buildings are so small the produce is piled on sidewalks and in gutters. Large trucks crowd into these old markets, producing traffic congestion so great that in many cases it takes hours for trucks to get in and unload. Buyers likewise are greatly handicapped by these conditions.

These markets have not been improved to take care of the increased volume and are not properly equipped for handling large quantities of truck receipts. At some of the old markets certain interests see investments jeopardized because the narrow streets can no longer handle the traffic. Old stores once adequate to meet the needs are no longer capable of handling the increased volume.

The result is frequently that obstructions sometimes in the form of ordinances or various regulations as to unloading practices and charges or a host of other hindrances are placed in the path of progress. In some cases, the building of new markets has not solved the problem since the markets have been improperly located or designed, or their use restricted to rail receipts, to trucks coming from some

arbitrarily fixed distance, or to trucks of certain operators.

NOT only has the motor truck contributed to the need for improvement of wholesale markets in large cities. It has also made necessary the establishment of markets in areas of production to serve as assembly points where truckers from more distant areas can obtain supplies.

Many of these "truckers" or "regional" markets have been established. Some are quite successful. Others are mistakes which not only have resulted in useless expenditures for construction but also complicated instead of simplified the marketing system.

There is need to plan the development of these regional assembling markets in order that they may be properly located, satisfactorily arranged and equipped, and efficiently operated.

A further effect of the increased use of the motor truck has been a change in market channels. In many cities the total volume of business moving through the wholesale markets is declining.

The flexibility of motor truck transportation has led to the movement of produce directly from producing areas to chain store warehouses and to smaller cities and towns in the area formerly served by the large terminal wholesale markets.

This circumvention of large city markets as distributing points is of course encouraged by the failure to bring about improvements which are necessary to make these markets efficient institutions for handling and distribution.

THIS breakdown or decentralization of markets has intensified another problem which was already serious because of the nature of truck movement—the gathering of adequate market information on available supplies and market conditions.

Fifteen years ago it was relatively easy for the market reporter to inform producers and the trade of the sup-

plies of any given commodity on the market at any given time. It was even possible to foretell with a fair degree of accuracy by use of shipping point reports and gateway passing what the supplies might be a day or two in advance.

Today with large quantities of fruits and vegetables converging upon a city at all hours from all directions and going not only to several wholesale markets but also directly to chain store warehouses and retail stores as well as to cities and towns in the surrounding area, it has become almost impossible to get adequate information on market supplies and prices.

THE use of the motor truck in moving produce from grower to consumer has resulted in many economies. The produce is picked up at the farm and moved directly to the market. Frequently delivery is made direct to retail stores. The number of handlings is reduced. Costs of transportation are often less than short-haul or less-than-carload rail rates. Speedier delivery reduces losses from spoilage.

But to get the full value to be derived from motor truck transportation proper wholesale markets must be provided not only in large cities but also as assembly points in producing areas, the market reporting system must be improved, and State barriers which hamper the free movement of farm products across State lines must be broken down.

The movement of produce from farm to market by motor truck is here to stay. The next 10 years may not see as great an increase in this mode of transportation as the past, but it will undoubtedly continue to grow. Much confusion and needless expense in the marketing system can be avoided by carefully planning and effecting the adaptations and changes which are necessary to utilize the motor truck to its greatest advantage.

WILLIAM C. CROW.

NOTE.—An article on concentration markets in producing areas will appear in the May issue.

New Foods for Old

DAILY new foods are added to the grocer's shelves, and old ones appear in new dress. Innovations in foods appear and disappear in ceaseless competition for the consumer's food dollar. The cost of these innovations—whether the gains are offset by the losses in the development of products which do not win consumer favor—in national economy has never been measured.

A well-stocked store now contains more than 3,500 different items, composed chiefly of packaged foods. The packaged foods industry, largely a development of the last 30 years, has made sensational growth. More recently the packaging of fresh foods has received attention. More of these—fruits, vegetables, eggs, butter, poultry, meats—are being graded for quality; more are being marketed in consumer-size cartons and other packages.

Notable has been the cleaning and packaging of potatoes in small sacks, the cartoning of winter tomatoes, the wrapping of lettuce and other greens in cellophane, the quick-freezing of meats, poultry, fish, fruits and vegetables in family-size containers. Most of these operations are performed by the use of machinery. New methods of transport—the motor truck—are being used in their distribution from producers and shippers more direct to retailers and consumers.

THE outstanding current development is the frosted foods industry which is giving both the canned foods and fresh foods industries increasing competition. This development has set in motion a new line of research in the production of raw products especially suited to the freezing process. It has helped to stimulate a collateral industry—freezer-locker storage.

All over the midwest community freezer-lockers—compartments in which consumers store for a small fee foods purchased in wholesale quantities—are being increasingly used. Southern agricultural agencies now

are investigating the possibilities of freezer-locker services in regions where variety of foods is limited by climatic conditions.

As new foods have been developed the producers and processors of old ones have been forced to adopt new methods. A striking example is the recent development of new ways to prepare poultry for market. Rarely are dressed poultry covered with pin feathers found in the markets now; even the pores of the skin are cleaned in an effort to win consumer approval.

TEN years ago, most dressed poultry was dry picked at the country packing plants; now most of it is "slack-scalded", and increasing quantities are "wax-plucked" by the use of machinery. The birds are hooked onto a moving overhead chain, slaughtered by hand, automatically plunged into a scalding vat, and the main feathers are pulled off by hand workers as the birds move along the "line."

The partially plucked birds move through a drying compartment; when they come out they are automatically dipped in wax, then sprayed with water to harden the wax. Moving along in a continuous operation, the birds pass in front of workers who pull off the wax and with it all pin feathers and all dirt in the pores of the skin. The heads are wrapped with paper, and the birds packaged neatly in cartons for shipment to wholesale and retail markets.

Recently the practice of marketing fully-drawn, quick-frozen poultry—turkeys, chickens, ducks—has increased, a practice that reduces shipping costs by about one-fourth since this is the weight of the head, feet, and entrails. These birds are packaged in cellophane and in some instances in individual containers.

MANY of the wax-plucked, the fully drawn, and the quick-frozen birds are Government inspected for wholesomeness and the cartons labeled with

Government seals of inspection. Last year, more than 5,000,000 pounds of poultry was so inspected by the Bureau of Agricultural Economics; there is a growing demand that the Bureau inspect and grade for quality as well.

Changes in the marketing of dressed poultry include a reduction in the number of country packing plants as

the use of motor transportation has enlarged the producing areas serviced by country buyers who truck birds direct to city markets. These buyers, having little overhead, have been able in many instances to market poultry at a lower margin than the country packer.

ROB R. SLOCUM.

European Foot and Mouth Disease

AN EPIDEMIC of foot and mouth disease, starting in France early last summer from imports of infected animals from North Africa, has swept across practically all of Western and Central Europe and is now threatening the surplus livestock-producing areas of Southeastern Europe.

This dreaded scourge of the livestock industry has long been present in Europe but usually in only a mild form. Many of the countries in the past have believed that attempts to eliminate the disease entirely would necessitate a greater reduction in livestock numbers than their respective national economies could sustain. Others felt that the incidence of the disease was not sufficient to warrant the adoption of wholesale slaughtering campaigns. As a result little was done to combat the disease.

This year, however, the disease is present in an extremely virulent form. Losses already have been very great. Unless checked in the near future the livestock situation in Europe may undergo a considerable change, particularly if surplus producing areas in the Danube Basin become infected. The situation has become so alarming, the International Institute of Agriculture is considering the advisability of an international conference with a view to discussing means of eradicating the scourge.

THE ECONOMIC effects of the current epidemic cannot be appraised as yet. However, reports indicate that hundreds of thousands of animals have

been lost. Additional reductions in livestock numbers have resulted from heavy marketings in several countries in order to avoid the possibility of later infection. These heavy marketings have tended to overshadow subsequent reduced marketings caused by the application of quarantine measures. Several regions are reporting shortages of milk and reduced meat supplies.

Switzerland and Denmark seem to have checked the spread of the disease but if it gains a foothold in the surplus-producing regions of the Danube Basin the European livestock and meat situation is likely to become critical. Germany is particularly concerned since that country is now obtaining substantial supplies of meats and fats under clearing agreements from Southeastern Europe. Several outbreaks have already been reported from Jugoslavia, where the virus is believed to have been introduced by farm workers returning from France.

While quarantine measures combined with the effects of cold weather checked the spread of the disease noticeably during the cold winter months, the European veterinary experts fear that when pasturing, field work and the normal flow of traffic are resumed this spring new outbreaks will develop. The Berlin office of the Bureau of Agricultural Economics is maintaining a close watch on the spread of the epidemic.

LEO J. SCHABEN.

General Trend of Prices and Wages

[1910-14=100]

Year and month	Whole-sale prices of all commodities ¹	Industrial wages ²	Prices paid by farmers for commodities used in ³ —			Farm wages	Taxes ⁴
			Living	Production	Living and production		
1920.....	225	222	222	174	201	239	209
1921.....	142	203	161	141	152	160	223
1922.....	141	197	156	139	149	146	224
1923.....	147	214	160	141	152	166	228
1924.....	143	218	159	143	152	166	228
1925.....	151	223	164	147	157	168	232
1926.....	146	229	162	146	155	171	232
1927.....	139	231	159	145	153	170	238
1928.....	141	232	160	148	155	169	239
1929.....	139	236	158	147	153	170	241
1930.....	126	226	148	140	145	152	238
1931.....	107	207	126	122	124	116	217
1932.....	95	178	108	107	107	86	188
1933.....	96	171	109	108	109	80	161
1934.....	109	182	122	125	123	90	153
1935.....	117	191	124	126	125	98	155
1936.....	118	199	122	126	124	107	156
1937.....	126	215	128	135	130	120	-----
February.....	126	211	-----	-----	132	-----	-----
March.....	128	218	127	139	132	-----	-----
April.....	128	219	-----	-----	134	112	-----
May.....	128	219	-----	-----	134	-----	-----
June.....	127	220	129	141	134	-----	-----
July.....	128	218	-----	-----	133	123	-----
August.....	128	220	-----	-----	132	-----	-----
September.....	128	215	129	132	130	-----	-----
October.....	125	214	-----	-----	128	126	-----
November.....	122	205	-----	-----	127	-----	-----
December.....	119	207	126	127	126	-----	-----
1938.....	-----	-----	-----	-----	-----	-----	-----
January.....	118	201	-----	-----	⁵ 126	111	-----
February.....	116	204	-----	-----	⁵ 126	-----	-----

Year and month	Index numbers of farm prices [August 1909-July 1914=100]								Ratio of prices received to prices paid
	Grains	Cotton and cottonseed	Fruits	Truck crops	Meat animals	Dairy products	Chickens and eggs	All groups	
1920.....	232	248	191	-----	174	198	223	211	105
1921.....	112	101	157	-----	109	156	162	125	82
1922.....	106	156	174	-----	114	143	141	132	89
1923.....	113	216	137	-----	107	159	146	142	93
1924.....	129	212	125	150	110	149	149	143	94
1925.....	157	177	172	153	140	153	163	156	99
1926.....	131	122	138	143	147	152	159	145	94
1927.....	128	128	144	121	140	155	144	139	91
1928.....	130	152	176	159	151	158	153	149	96
1929.....	120	144	141	149	156	157	162	146	95
1930.....	100	102	162	140	133	137	129	126	87
1931.....	63	63	98	117	92	108	100	87	70
1932.....	44	47	82	102	63	83	82	65	61
1933.....	62	64	74	105	60	82	75	70	64
1934.....	93	99	100	103	68	95	89	90	73
1935.....	103	101	91	127	118	108	117	108	86
1936.....	108	100	100	113	121	119	115	114	92
1937.....	126	95	122	122	132	124	111	121	93
1937.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
March.....	145	116	133	131	129	125	102	128	97
April.....	154	117	142	127	130	120	104	130	97
May.....	149	112	152	139	133	116	96	128	96
June.....	139	107	157	124	137	113	95	124	93
July.....	139	106	145	96	144	116	102	125	94
August.....	119	90	123	104	151	119	109	123	93
September.....	111	74	121	117	144	123	119	118	91
October.....	93	67	99	130	136	128	127	112	88
November.....	85	65	88	124	120	132	135	107	84
December.....	86	64	76	112	111	136	127	104	83
1938.....	-----	-----	-----	-----	-----	-----	-----	-----	-----
January.....	91	66	70	101	110	128	113	102	⁵ 81
February.....	89	68	68	121	110	121	94	97	⁵ 77
March.....	85	70	69	107	117	117	93	96	⁵ 76

¹ Bureau of Labor Statistics Index with 1926=100, divided by its 1910-14 average of 68.5.

² Average weekly earnings, New York State factories. June 1914=100.

³ These indexes are based on retail prices paid by farmers for commodities used in living and production reported quarterly for March, June, September, and December. The indexes for other months are interpolations between the successive quarterly indexes.

⁴ Index of farm real estate taxes, per acre, 1913=100.

⁵ Preliminary.